

**Sol Plaatje Institute for Media Leadership**

**Successful “New Media” business  
models: Case studies of independent  
commercial print media in  
South Africa**



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Case studies of independent commercial  
print media in South Africa**

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# A

## *Executive summary*

This report seeks to analyse and critically evaluate the strategic and operational 'New Media' imperatives of three commercial print media houses in South Africa. Specifically, it aims to understand how mainstream newspapers in the country are reacting to the threats and opportunities posed by the online environment. The three newspapers identified for investigation by the Sol Plaatje Institute (SPI) are *The Times, Mail & Guardian* and *Daily Dispatch*.

The research is based primarily on in-depth interviews with key newsroom personnel at each newspaper. In every case, the editor was interviewed, as well as core editorial staff involved in daily online production and/or longer-term tactical planning.

To provide enhanced context for the research and a deeper understanding of the subject matter, interviews were also conducted with two people who are not connected with these three newspapers. These individuals were selected on the basis of their historical, technical and managerial expertise in local online media. Both have worked in the medium for over a decade, serving at various times (and for various online editorial entities) at a strategic management level.

References to contemporary literature focusing on the topics of media convergence, the online threat to newspapers, and 'New Media' leadership, serve as a final buttress to the research findings. A key question that is facing print media conglomerates the world over forms the basis of the literature review, namely: 'Are we witnessing

the death of the newspaper?’ Wherever appropriate, reference is made (via the readings) to the broader global framework.

Ultimately, this research report aims to identify a successful ‘New Media’ business model in South Africa. While it remains true that, worldwide, hardly any online editorial entities generate enough revenue to truly be termed ‘successful’, the research highlights two local examples where there are strong indications that success will be achieved in the long-term.

## B

### *Contextual analysis: The global newsprint environment and the relative situation at The Times, Mail & Guardian and Daily Dispatch*

It is a well-reported fact that newspapers across the world are battered and beleaguered, and going out of business at an unprecedented rate. In 2008 newspaper publishers in the United States experienced their worst year ever, with shares dropping 83 percent on average. The corresponding drop in US newspaper market value over the 12 months from January to December 2008 amounted to US\$64,5 billion.<sup>1</sup>

Unfortunately, all indications are that newsprint's problems are too complex and entrenched to be entirely ascribed to the global economic recession – in other words, it is not just a matter of riding out the storm. According to Silicon Valley consultant and former editor of the *San Francisco Examiner*, Alan Mutter, 'the decline among the newspaper shares last year [2008] was more than twice as deep as the 38,5 percent drop suffered by the Standard and Poor's average of 500 stocks.'<sup>2</sup>

What's more, hardly any of the world's most respected newsprint brands have been immune to the malaise. The best performing US newspaper companies in 2008 were the Washington Post Co., New York Times Co., and News Corp. However, as Mutter points out, Washington Post Co., the least battered of all, still fell by 51,5 percent.<sup>3</sup> And across the Atlantic, to give just one example, in early September the Guardian Media Group was actively considering closing down *The Observer*, the world's oldest Sunday newspaper. The British group

posted record losses of close to £90 million in the year to March 29, 2009: a number which, as CEO Carolyn McCall told the press, cannot be sustained beyond the next three years.<sup>4</sup>

So aside from the recession and a consequent major downturn in advertising revenues, what exactly are the big problems facing newspapers? In a February 2009 essay that was commented on (and linked to) by hundreds of North American media and technology journalists, technophile Clayton Shirky argued convincingly that the current media revolution needs to be compared in scope and impact to the revolution that followed Gutenberg's invention of the printing press. The printing press solved the problem of mass distribution, Shirky contended, a problem that (in the developed world, at least) no longer exists. 'We're collectively living through 1500,' he wrote, 'when it's easier to see what's broken than what will replace it.'<sup>5</sup>

That said, there have been a number of journalists brave enough to take a stab at predicting exactly where newsprint is headed. In a March 2008 feature for the *New Yorker* magazine, Eric Alterman analysed the much-vaunted (and very near to profitable) *Huffington Post* website as an example of a media form that could possibly replace the 'dead-tree' newspaper in years to come. 'Almost by accident,' wrote Alterman of the website's vast network of expert bloggers, 'the owners of the *Huffington Post* had discovered a formula that capitalised on the problems confronting newspapers in the Internet era, and they are convinced that they are ready to reinvent the American newspaper.' At the *Huffington Post*, Alterman continued, news is not something handed down from above but 'a shared enterprise between its producer and its consumer.' The author did question, however, whether a news media model based on its own inherent community values, as opposed to a model based on professional editorial intervention, is

ideal or even preferable. 'Just how an Internet-based news culture can spread the kind of "light" that is necessary to prevent terrible things [happening], without the armies of reporters and photographers that newspapers have traditionally employed, is a question that even the most ardent democrat...may not wish to see answered.'<sup>6</sup>

In this context, the three South African titles under review have been faring relatively well. The level of 'professional editorial intervention', in Alterman's words, has in fact been increasing steadily at the online versions of *The Times*, *Mail & Guardian* and *Daily Dispatch*. Furthermore, despite economic circumstances, circulation and revenue at these three publications has either been stable or showing a slight improvement.

*The Times*, coming off a low base, appears to have fared the best. Avusa, the title's owner, posted a six percent rise in revenue for its media business unit to the financial year ended March 31, 2009. 'As a result of cost-containment initiatives,' claims Avusa in the 'commentary' section of its report, 'particularly with regard to printing, together with cover-price increases, we reduced the impact of the economy-related advertising downturn, and restricted the decline in the profit contribution from our newspapers.'

The report continues: '*The Times*, having established itself in the market, enjoyed 132 percent growth in revenue over the prior year, on the back of advertising support from major retailers. The title's losses narrowed to R25 million from R39 million reported last year.'<sup>7</sup>

As for copies in the marketplace, the Audit Bureau of Circulation (ABC) numbers for the second quarter of 2009 - April to June - show that *The Times* is one of the few dailies in the country that has improved over the previous period. The title has risen almost one percent, from 140,895 copies in the first quarter to 141,968 in

the second. This figure also denotes a 3,3 percent rise in circulation compared to 2008.<sup>8</sup>

Editor of *The Times* Ray Hartley explains the newspaper's strategy and raison d'être in terms of its relationship to sister title the *Sunday Times*: 'By going to 140,000 *Sunday Times* subscribers, you're delivered a readership on day one. Brand association with the *Sunday Times* meant that the market knew what they would be dealing with. So it wasn't difficult to find out what *The Times* was all about... it's the daily paper of the *Sunday Times*. Once you've eliminated those barriers, you don't need the massive kind of capital injection that everybody thought we would need at the start. I mean, there was a lot of theorising done about the R200 million it was supposed to cost to get this paper going, based on other dailies that had faulted before. But we didn't actually need to make that massive investment. We started getting ad revenue on day one. There were a lot of people who made deals across the two products, and the revenue picked up from there.'<sup>9</sup>

Financial results at the *Mail & Guardian*, owned by unlisted company M&G Media Limited, are not as readily available to the public as are those of the titles owned by Avusa and other listed media entities. *Mail & Guardian* editor Nic Dawes did however, reveal which areas of his budget are increasing and/or decreasing.

'I can't give you an absolutely crisp number,' says Dawes, 'but let me say this: [online] is the one area of the budget that actually is increasing in the middle of the recession – for capital, for training and also for people. So all other aspects of our budget have been cut in the peak of the recession, and online budgets are up.'<sup>10</sup>

Dawes, who took command of the newsroom in June 2009, inherited a newspaper that – on the circulation side, at least – is bucking international trends. In the second-quarter 2009 ABC results, the *Mail &*

*Guardian* showed the biggest growth in the weekly newspaper category. Its rise in average sales of 2,17 percent to 51,166 has been secured via a growth in subscriptions and a concomitant decrease in third-party bulk distribution.

Meanwhile, the *Daily Dispatch* reported a 5,2 percent decrease in circulation over the first quarter of 2009, falling from 32,919 average copy sales to 31,195. But editor Andrew Trench is not too concerned. 'The second quarter is always softer,' he explains. 'We are kind of where we always have been...we're looking at thirty [thousand], thirty-two, thirty-three even, depending on the time of year.'<sup>11</sup>

While the *Daily Dispatch* is owned by Avusa, in its latest financial report the group does not place as much emphasis on the East London title as it places on *The Times*. Nevertheless, Trench reveals that annual revenues at the newspaper have been holding steady at around R110 million a year. It was only in June and July 2009, he says, that the real effects of the recession began to be felt in the Eastern Cape region, specifically when retrenchments in the motor industry started to kick in.

Significantly, adds Trench, these months also coincided with a spike in local traffic to the *Daily Dispatch* website ([www.dispatch.co.za](http://www.dispatch.co.za)). His assessment of the situation is that more Eastern Cape residents are choosing to get their news free online. It's a phenomenon that reassures Trench of the potential surrounding his major new strategic drive - the 'paid-for' online content model.

'There are a couple of scenarios,' says Trench. 'If we go for the paid-for [online] model...they either walk away and they just don't worry about news anymore, or they come back to the [print] paper, or they pay for online. I don't care. It's eighty bucks a month for print and it's forty bucks for [online]... and it's still worth it, you know?'<sup>12</sup>

Trench’s confidence is based on the fact that he has a unique product – on average, 90 percent of the *Daily Dispatch*’s content is generated by his own reporters, and is focused primarily on East London and the surrounding areas. It’s the type of content that is available nowhere else on the planet, which presumably means it’s the type of offering that people will pay for. Dawes, who is also a strong advocate of the paid-for online model – and who, like Trench, is looking to implement a ‘walled garden’<sup>13</sup> in the near future – believes he has a similar unique value proposition. At the *Mail & Guardian*, according to Dawes, it’s their well-established investigative tradition that will ultimately translate into substantial online revenue.

The proposed models at both these newspapers are assessed in greater detail below.

## C

### *Successful business models for a converged South African media house*

In early August 2009, after declaring record financial losses at his global media empire News Corp., Rupert Murdoch reaffirmed his intention to introduce charges for all his news websites, including (in the United Kingdom) the *Times*, the *Sun* and the *News of the World*. According to the *Guardian*, Murdoch announced that the era of a free-for-all in online news was over. 'Quality journalism is not cheap,' said Murdoch. 'The digital revolution has opened many new and inexpensive distribution channels but it has not made content free. We intend to charge for all our news websites.'<sup>14</sup>

News Corp., the largest producer of news in the English-speaking world, is to place its online entities behind payment gateways by July 2010, a move that appears to have split the web publishing world in two. In an article entitled 'Will Rupert Murdoch be the pied piper of paid content?' *Time* magazine reported that while many media executives are welcoming the move, there remain a large number of 'free agents' who counter that online publishing is based on attracting traffic via the so-called 'link economy' – which pay walls undermine. Further, reported *Time*, many customers simply won't pay: 'Internet experts say that almost everybody who has ever tried charging for content has failed. Murdoch is out of touch, they suggest.'<sup>15</sup>

Still, shortly after Murdoch’s announcement, a handful of top-tier international newspaper brands, and at least one media multinational, indicated to the public that their current online business models might need to be revisited. As *Time* noted: ‘In the days that followed Murdoch’s announcement, the *Financial Times*, which charges for some content, and the *Boston Globe* dropped hints that they were looking into different payment schemes. Time Inc. has raised the possibility of charging for content.’<sup>16</sup>

In South Africa, the free-versus-paid debate appears to be playing itself out with comparable fervour and urgency. As mentioned, at least two mainstream newspapers will be charging for online content in the near future – the editors of both the *Mail & Guardian* and *Daily Dispatch* believe that the uniqueness of their respective offerings will bypass the ‘for-free’ mindset of Internet users, allowing them to generate increased online revenue and ensure the long-term viability of their brands.

In addressing a question regarding emergent business models within his organisation, Nic Dawes refers to the fact that M&G Media Limited recently re-acquired the 65 percent shareholding that MWeb had for many years held in the newspaper’s website. The stake was not bought back to secure existing revenue streams, explains Dawes, but rather to enhance possibilities for new revenue streams, thereby safeguarding the future of the business.<sup>17</sup>

‘To start with the basics, you need to grow revenue from traditional online sources, like more and better advertising,’ says Dawes. ‘And the question is – there’s a huge question, a growing question in this country – around how you make sure that you are actually able to do that, as Google is really coming hard into this market. [Google’s] clients, who ... traditionally would be coming to you with their inventory, say,

well, I get it anyway because Google's on the site...and you end up getting a fraction of [the revenue] you used to. So I think the first trick has got to be new models around old advertising.'

Dawes's reference here is to Google AdSense, a product that allows website publishers to earn money by displaying targeted adverts via an on-page application. Unsurprisingly – given the proven revenue-generating capabilities of Google AdSense – Dawes does not mention the possibility of removing the Google application from the *Mail & Guardian* website. Rather, he gives two examples of potential new advertising models that could supplement Google income while offering added value to the client – the first by enabling advertisers to brand whole sections of the site, and the second, through 'clever' rich media advertising that doesn't detract from the reader experience. He adds: 'Obviously, in an environment where, fundamentally, the core value of the brand is around independence and quality, various sleazy avenues are closed off, which I think is a good thing.'

Kevin Davie, who has been assisting the *Mail & Guardian* with on-line strategy since the majority stake in the website was re-acquired, echoes Dawes's central point – advertising on the site, as it exists currently, is an inadequate business model. Davie's history in the South African online environment extends back to 1996/7, when he founded Woza, one of the country's first stand-alone news portals. Given the fact that the *Mail & Guardian Online* was also founded in those years, and that it quickly became the first widely recognised online entity in Africa, Davie feels that the site should have 'locked down' a lot more of the market.

'I think the history of *Mail & Guardian Online* is a history of neglect,' says Davie. 'If you think that you own [35 percent] of the entity, and the other [65 percent] is owned by your competitor, you are going to

find neglect. It’s kind of a recipe for dysfunctionality. And the peculiarity there is that you own the brand, you own a hundred percent of the brand, but you don’t own the entity itself. Having said that, I think what happened in the South African market is there was under-investment by all the major media houses.’<sup>18</sup>

Like Dawes, a key question Davie wants to see answered – now that the *Mail & Guardian Online* is wholly owned – is how to minimise Google’s impact on the business model. Says Davie: ‘Google doesn’t disclose on a transparent basis what their cut is, but it’s reckoned to be as much as fifty percent. So Google now *is* your business, they are cannibalising your business, you need them to link to you, to index you... [But] you’ve got all your bills to meet, you’ve got journalists to pay, all of this stuff. I mean, it’s a recipe for catastrophe.’

Both Dawes and Davie agree that inventive advertising strategies can go only so far in addressing the Google issue. The bigger part of the answer, they say, lies in charging users for content. Where Dawes and Davie are as yet uncertain, though, is on the exact form the payment model will take.

‘I’m not yet sure how it will play out,’ says Dawes. ‘Do we say to people, for example, you can watch a thirty-second video ad, or do we say you can send an SMS to this number, which is going to charge you fifty cents to read this article? I’m talking about very small amounts here. I think one of the big mistakes about paid-for content is that it’s been too difficult to pay and too expensive, and I think it’s got to be cheap and almost effortless.’

Says Davie: ‘We need a tiny amount of direct revenue per user per month, relatively speaking, which would do very nicely in terms of, say, doubling your revenue or tripling it... But the problem is, even if it is a tiny amount of money, how do you get it out of the user? I mean,

I'm talking as little as...a rand a month.'

Davie proposes that a neat solution could be to *not* charge the user directly, but rather the service provider. 'It might be the more sustainable model, where instead of you paying R360 a month [to the service provider], you pay R380 and that gives you access to 15 or 20 or 30 portals of information.'

Andrew Trench, meanwhile, is confident that for the *Daily Dispatch* a monthly fee direct to the user would be the most workable scenario. Of course, Trench is in a very different position compared to Dawes and Davie. The *Mail & Guardian* is a weekly newspaper geared to publishing its major exclusive stories on Fridays; it would have to significantly increase its daily output of non-newswire content to justify a monthly online subscription fee of R40 a month (which is what Trench intends to charge). The *Daily Dispatch*, on the other hand, publishes dozens of exclusive stories every weekday, and dozens more on Saturdays; as indicated above, 90 percent of its online content is already non-newswire.

Observes Trench: 'Look at the South African online media landscape. I mean, for me a lot of people, besides a couple of smaller regional sites like ours, [are] kind of playing the same game. You know, *The Times* is trying to cut the throat of IOL and News24... and all are by-and-large [publishing] the same commoditised information-type news... The reason why this paper survived and flourished is because it is very good at doing a particular thing, and my bet is that people want to [pay for us] online under the same brand.'<sup>19</sup>

Trench's 'localisation' strategy - in other words, his stated drive to be the world's number one online source for Eastern Cape news - was generating between 125,000 and 130,000 unique visitors a month as of August 2009. Before the re-launch of the *Dispatch Online* in early 2008,

the site was attracting 30,000 unique visitors a month. The 400 percent rise in traffic has been brought about not only by an overhaul of the site's look and feel, but by an approach to 'convergence' that is arguably the most progressive in the South African newsprint environment.

Significantly, when Trench took over as editor of the newspaper in December 2008, he insisted on retaining his position as online editor (which he had previously held while serving as deputy editor). He is thus the only editor of a major South African newspaper who fulfils this dual function, and the result – based on the testimony of his staff – is a newsroom where line editors and reporters are beginning to hold the print version and the website in equal esteem.

Brett Horner, news editor of the *Daily Dispatch* print entity, says that his relationship with online news editor Jan Hennop has developed to the extent that news conferences are now run by both of them. Since the site re-launch in February 2008, explains Horner, it's been a trial-and-error process – what's been learned so far is that the most efficient way to work in tandem is to hold discussions in morning conference, and then continuously throughout the day, about what constitutes an online story and what should be reserved for print.

'As you can imagine,' says Horner, 'it's something new; people are frightened and unsure of where it's all going. But I think we've got to the point where we have an understanding that no reporter gets sent out on a story unless it's been evaluated in terms of its potential for print and for online. And then when it comes to online, we break it down into its various elements; you know, is it merely a blog post, is it a video, is there going to be documentation which we are going to post up onto the website? Do the photographers need to take a whole batch of photographs that we can put into a slideshow? And that generally

gets done at news conference...maybe it's refined outside, when we go back to our desks...and then throughout the day it's exactly the same with breaking news.'<sup>20</sup>

The *Daily Dispatch's* clearly defined coverage area – which extends out from East London to Port Alfred, through to Kokstad in Kwazulu-Natal, and up to Aliwal North – enables the dual-medium reporting team to focus on news that rival entities are less inclined to carry. Trench points out that the Eastern Cape's status as a political hotbed resulted in a spike in traffic during the national election in April 2009; most notable, he says, were the number of website visits from IP addresses at Luthuli House, the ANC's headquarters in Johannesburg. Aside from those interested in the paper's political coverage, adds Trench, many visitors from outside the Eastern Cape are in fact former residents of the area, who habitually browse the website to keep up-to-date on news from home.

Naturally, local residents make up the largest percentage of the *Dispatch Online's* traffic, and in a recent survey commissioned by Trench it was mostly Eastern Cape-based respondents who said they would pay for content if charged for it online. The overall 'yes' tally from the research, explains Trench, was 70 percent – a result that ultimately convinced him of the viability of the proposed walled garden.

As part of the research, the *Dispatch Online* then asked respondents to provide a ballpark figure for what they would be willing to pay. The answer was somewhere between R38 and R40 a month for full access. 'If over the course of a year we monetise just 10 percent of our existing unique user base,' says Trench of the R40 figure, 'it amounts to R4,5 million more on revenue [per year] than we are making at the moment.'

Relative to the newspaper's total annual income of R110 million, that's not a big number. But it's almost five times more than the *Dispatch Online* is currently generating from straight advertising. Taken together with the vast strides made in newsroom convergence since February 2008, it seems to be a respectable base from which to build on the strategy.

As for the *Mail & Guardian*, although it's not nearly as advanced as the *Daily Dispatch* in terms of print/online integration (see 'D iii' below) or website functionality, there appears to be an understanding that it too needs to adapt fast if it is to be a successful player under the new rules. Davie has a clear idea of what the *Mail & Guardian Online* has to do to attract paying visitors: 'What's happening at the moment is the realisation that we must become much more multimedia orientated. [There need to be] more rich features on the site in terms of specific video, audio and podcasts...so that particular big events should have a full menu, right through to streaming video from press conferences...I think to some extent we are able to do that now... we are busy implementing some of that stuff, putting in multimedia servers, so that the video can move much more quickly.'

Once Davie's consultancy contract expires, the responsibility for ensuring that the website's enhanced services perform optimally will be Chris Roper's. The former editor-in-chief of 24.com, Roper took over as digital products manager of the *Mail & Guardian* in August 2009. In the short period he had held the position, his approach had been informed by caution. 'First of all, why should we have video and audio of, say, the Jacki Selebi story? I mean, you haven't told me why, you're assuming we should, but how does it make the [offering] better? How does it make the product more saleable? Would you make money out of video and audio, is the trick question. Remember, you're thinking about [the

problem] in journalistic terms as well as business terms... Video's very expensive, and if you've got a brand like *Mail & Guardian*, which is all about superb journalism, as soon as you have some half-arsed news-generated video that some journalist has cut together out there, that journalism standard drops automatically.<sup>21</sup>

Roper clearly has a point – what he is saying, in effect, is that online video must be relevant, compelling and expertly-made to live up to the demands of the brand. In that sense, standards at the *Daily Dispatch* appear not to have dropped at all since full multimedia functionality got added to their site in 2008. In fact, in 2008 the East London brand added an online journalism citation to the regional and national prizes it consistently scoops at the Vodacom Journalism Awards.

Ultimately, what the strategies of both the *Daily Dispatch* and the *Mail & Guardian* imply is that the online payment model is very difficult to implement without exclusive, sought-after content, a newsroom that understands the necessity of cross-platform convergence, and a world-class website that pulls readers in and encourages them to return. The *Daily Dispatch* seems to have ticked all three boxes. The *Mail & Guardian*, although lagging slightly on the last two points, is taking steps to address the shortfall. But *The Times*, while quite advanced in terms of both newsroom convergence and website functionality (see 'D iii' below), has an inherent problem – if it were to charge for online content, would its readers not simply choose to get the same content for free elsewhere?

## D

### *A synthesis of key market, editorial, financial and leadership factors across The Times, Mail & Guardian and Daily Dispatch*

#### *i. Market-entry barriers*

The market-entry barriers identified by the three news organisations analysed in this research project are relatively similar. On request, interviewees broke the question down into two components: barriers to entry in the print environment, and barriers to entry in the online space. The two outside interviewees approached – general manager of business development at 24.com, Tim Spira, and deputy editor of *The Daily Maverick*, Phillip de Wet – provided analyses that encompass the general tenet of responses.

Regarding barriers to entry in the print space, Spira maintains that the costs of setting up a viable consumer publication in South Africa are significant. Printing and distribution make up the bulk of operational expenses, and as these areas are controlled by two large conglomerates – Naspers and Caxton – market competitiveness has not worked to drive prices down. Editorial and production expenses add to the costs, resulting in a scenario where a newspaper that launches in South Africa typically has to allow itself at least three years to achieve profitability. The chief barrier to entry in the newspaper space is thus the huge capital investment required to steer a product to break-even.

In the online space, where there are no print and distribution costs,

the barriers to entry are much lower – although this does not mean they are non-existent. Says Spira: "Typically, online businesses have a lower cost base, so it is easier to set them up. But in the online space, one of the difficulties is that you have this kind of hyper-competition, particularly in an English-speaking market like our own, where you have competition not only from local offerings but [from] international offerings. And also, precisely because the barriers to entry are so low, there's bound to be, and there are... many many more online publications targeting specific niches than there are print publications. A lot of these publications are..."derivative" is probably a good word to use. I'm talking about user-generated content, I'm talking about blogs and application-based offerings, where, you know, essentially they are little more than online conversations based on original reporting that's been done in print. So a lot of these websites don't have the same requirements for producing original news, [which] means that they can sometimes get away with lower editorial costs..."

"The barriers to entry are also about the way these things are marketed. While there's a lot that has been written about viral marketing and guerilla marketing online, the fact is that to achieve recognition within the mainstream media space, there's typically quite an extensive marketing requirement, and the cost of marketing an online product can be equal [to] if not greater than that of effectively marketing a print product... So you need to have good relationships with other online distribution outlets, for example, which means portal relationships. You can either buy these relationships or you can enter into deals with the likes of 24.com, News24 and other leading portals... But you also typically will need to go above-the-line for things that online doesn't necessarily do as well as traditional media, like branding.

'Another barrier to entry is finding the right people to run these

types of operations, because, in my experience anyway, the best journalists come out of a traditional media background, and have a traditional media mindset...Getting people to adjust that mindset and develop the kinds of skills that are required to generate good content online can be a great challenge. Also, these people are very much in demand...[The job] requires a good deal of creativity, because you are not necessarily following tried-and-tested models. You need to be constantly trying out new things, you need to have an understanding, for example, of the multimedia aspects...There are elements like combining text content with video content, things like podcasting, the interactive aspects of the web, which are very different to traditional media. You've got a much more immediate conversation going on with your audience online than you do in print, or even in hot media like TV.<sup>22</sup>

Phillip de Wet, a former news editor of ITWeb with ten years experience in the South African online space (he was also lead IT and telecommunications reporter for failed newspaper This Day) adds further context to the 'hyper-competition' barrier mentioned by Spira. De Wet outlines the technological developments that have brought online publishing to its current point.

'In 1999,' says De Wet, 'if you wanted to go online, whether you were [a print operation] or not, you needed to build your own software system from the ground up. You had to build everything from scratch. There was virtually nothing in existence, right? So that was an enormous barrier because nobody knew what they were doing... Every single day, you would have to code by hand. It was the equivalent of, you know, having the old presses where you have to arrange the lead blocks and press... Also, in South Africa, you had prohibitive access costs. You could only dial up at that point. It was so expensive that it was virtually unaffordable for anyone but the largest corpo-

rates... As a result, the early entrants are now at a great disadvantage. They're sitting with self-developed closed propriety systems...which cost them an enormous amount of money, and are now not worth a fraction of the freely-available open source systems that anyone can get. So guys going online today can leapfrog that technology very effectively, and they suddenly have a huge competitive advantage. Access costs are now trivial. If you can afford to generate content, then you can afford to go online.<sup>23</sup>

De Wet, in his current capacity as deputy editor of *The Daily Maverick* –the online version of the defunct *Maverick* magazine – then shares his experiences of creating the back-end of the soon-to-be-launched website. He explains that *The Daily Maverick* is being set up on the basis of an entirely open source-based system, using Wordpress 2.8, which is free, and building plug-ins and modifiers on top.

Says De Wet: 'So we can basically go out, take our pick from a vast pool of available labour, from coders who really know their stuff, whom we can pull in from India or the USA... We go to these guys with a very specific brief, and we say, "This is what we want, but we want it based on WordPress and so on, we want all of these open source components used." We're paying purely for their time, because we're buying virtually no software. We can get that time relatively cheap, and we can get that software to jump through any hoops we want it to jump through...You know, literally anyone who can switch on a computer and who can read instructions can implement a system like that for a hundred bucks a month. That's what it'll cost you in hosting, and then you just need to access [it], which you can do for another six hundred bucks a month. So the financial barrier's now a grand a month, and you can be online. For ten grand, you can be online with something...that's customised for you. For a hundred grand,

you can do anything you could imagine, including podcasting and video and audio and so on. The technical barrier no longer exists.’

A problem that this has created in some quarters, says De Wet, is that many online publishers have become so enamoured with the technology – and so dependent on it – that they are not really thinking in terms of content and the reader. But there is a bigger problem, already alluded to above (see sections ‘B’ and ‘C’). ‘At present, probably the biggest barrier [to online publishing] is the advertising model,’ De Wet avers. ‘We don’t have a way where [online] media can generate revenues anywhere near equivalent to what they get in print... We are seeing greater and greater percentages of advertising spend going online, but [a lot] of that spend is going to the low-cost bloggers, and to guys for whom the cost of creating content is way below what can ever pay the most junior of journalists.’

### *ii. Financial support, revenue and sustainability*

The business models at the *Mail & Guardian Online* and *Dispatch Online* have already been discussed and analysed in close detail. To reiterate, both entities intend to significantly increase their revenue base by charging for content, the former conceivably through micro-payments and the latter through monthly subscriptions. At *The Times*, on the other hand, there is no plan to set up an online payment gateway in the short-term.

Editor Ray Hartley explains: ‘There’s a lot of discussion happening now globally about that, so never say never... [I]f I think it’s really worth it and if the barriers to payment are removed, I think [we could] sell some content online. But it better be content that’s really worth

buying... There's a torrent of news and information out there, [and I] don't get the idea that what we're producing is something scarce. You might have a different take on it, you might have a different edge on some stories, but it's very easy for people to drop you and adopt somebody else if you start putting barriers in the way. But if you're producing something unique, that you can only get from this particular destination, people will maybe go there...'<sup>24</sup>

That said, Hartley elaborates on the type of online content *The Times* may hypothetically be able to charge for in the future: 'There's information that can be aggregated and might be worth something... You could put together everything that you've ever done on schools, and maybe people would buy into a "South Africa's top schools" type of package. I don't know, that's just off the top of my head.'

For the moment, as Hartley stresses, advertising will remain the website's primary source of revenue, which means that costs will remain a lot higher than income. Consequently, all financial support for *The Times* website is drawn from the newspaper's annual budget, which must of course be signed off by executives on Avusa headquarters' fourth floor. Meanwhile corporate investment in the website appears to be climbing, given the fact that a new content management system is in the process of being implemented – the old system, says Hartley, requires programmers to work with the source code to make the simplest of changes – plus the fact that a new user interface is due for launch in September.

Like Dawes and Trench – who, despite their more aggressive revenue-generating strategies, are also dependent on annual budgets for website financing – Hartley can't reveal the actual numbers involved. But he will speak broadly about the situation at the print product. 'All I need to know is that we're ahead on the budget on

advertising,' he says. 'And once I know that, I'm happy. So yes, we are [breaking] even in this climate... We had a three-year break-even horizon, which comes up in June next year [2010], so that's been good. I mean, there's been investment in the product, and it's been sustained.'

### *iii. Newsroom convergence and human resource systems*

Based on the responses from interviews conducted with staff at *The Times*, *Mail & Guardian* and *Daily Dispatch*, there appears to be a growing appreciation within mainstream South African newsrooms for the concept of convergence. Amongst the three editors, in fact, the concept has almost become a non-negotiable ideal – in other words, print/online integration is now part of every reporter's job description, and a failure or refusal to participate is viewed in a harsh light.

While the management styles of the three editors differ slightly (see 'D v. '), they all seem to favour positive reinforcement and ongoing encouragement above disciplinary action. A spirit of engagement has thus filtered down into the newsrooms, and the online editors are reaping the benefits.

David Ball, online news editor at *The Times*, observes: 'I think *The Times Online* and *The Times* newspaper are working pretty well together. I think there is full buy-in from Ray [Hartley] downwards. Being daily journo's, they know they need a breaking story online. It is something they are very au fait with, and they enjoy it. They want to beat the competition. Online is enjoying being part of a newsroom floor, whereas in the past [we] had been tucked away in a little sterile space.'<sup>25</sup>

Ball provides further specifics: 'I sit in on the daily conference at eleven [am]. The late shift online news editor sits in on the 3pm conference. Diaries are shared, so I know what the print guys are doing. Look, it's not flawless, there are plenty of stories that we have missed, stories that should be filed from the field and are not, but I think we have made a lot of progress. Documents are given to us from the print reporters, for example, that we can publish online from the field. Maybe it's the quick sms from the courtroom, maybe it's e-mailed, a five-part or three-part story, maybe it's even a tip-off or a contact number saying, "Look, I'm swamped, why don't you phone or meet me... just down the street," or whatever it is.'

It's largely because the title is relatively new to the market, says Hartley, that *The Times* has been able to achieve this level of integration. 'We started in 2007, and every person that was hired, right from the interview process, was [told] it's an integrated operation. [We asked them] – how would you feel if you worked on a story for the paper and we took it and put it online? You know, we actually canvassed that DNA kind of thing, to actually pack [the newsroom] with people who didn't have resistance to convergence. And so that's why we don't have the barriers. Everybody signed up for it, and if anything, we were slow to... really implement it, because we were still rejuvenating the website and stuff like that. But ja, it's a fantastic luxury to have started with that strategy, because it's obviously a lot more difficult to change something that's embedded for a long time.'<sup>26</sup>

At the *Daily Dispatch*, the site re-launch in February 2008 seems to have had a comparable affect. Jan Hennop, online news editor at the publication, makes a similar point to Ball – although, as intimated, the East London operation appears to be the most advanced of the three titles in terms of integration. According to Hennop, the organisational

structure at the newspaper is very flat, so he has the authority to directly assign a reporter to a story. 'We are blurring the lines between print and online,' says Hennop. 'It's a deliberate strategy, so that [a reporter] knows that there is no real distinction... I mean, if a guy comes to us and says, "Listen, you are two bosses and I'm getting conflicting signals from you," obviously I'll confer with the news editor. Ultimately, he is the guy in charge of the print side. He won't interfere with the stuff I do online, but then [the newspaper] is his call.'<sup>27</sup>

Hennop says that so far there has been very little resistance to the new structure, and that on the whole, journalists have been receptive. 'The thing is that we drill into them all the time how important online is for them. I think that if you've got ambition and you're a young reporter and you're not gonna stay here at the Dispatch forever, that kind of advice would be very good advice for you to take... The other thing that we've done [is] we've set up two systems of getting stuff onto the blogs. The one is very simple and accessible...within five minutes anybody can do it... [But] if you want to go into it a little bit more and really learn how to put pictures up and stuff like that, then, you know, a person will approach me and I'll make some more time. I've had quite a few training sessions on WordPress with the guys, just sort of getting them used to resizing pictures... [we] really give people a light and a heavy option, which I think is quite lekker because even if you take a light option you can put it on your CV, and say, "I've got some blogging or online experience..."

'Okay, so you know I'll usually speak to Brett [Horner] on a breaking news story. I [have the authority] to assign a reporter to the story, but he'll usually do it because he's the news editor... We are at this point where we have a designated video person that goes out to a breaking news story, [he's] basically self-taught, like all of us. He's

very good. But he will then go out with the reporter to the scene... Once they've got a handle on the situation... sort of figured out what the hell's going on, I could use the reporter directly as a source for the blog... That kind of immediacy, it's when the reporter gets there, he's the eyes, and I trust him to give me feedback that I can put on the blog. I would expect him at that stage also to try and talk to official sources, like paramedics or the police spokesman or whatever... At that stage, once I've got that kind of confirmation, what I will do then is I'll put up a second blog and [send out an alert] on Twitter...'

The *Mail & Guardian*, with its entrenched editorial procedures and a former editor who appeared not to pay close attention to the website, is still some way off achieving the levels of integration to be found at *The Times* and *Daily Dispatch*. Says Kevin Davie: 'We are busy with [the website's] reconfiguring, so it's editorially driven... I think the company sometimes wants to send people out on training courses and stuff, they are quite keen for that, but a lot of the stuff is so easy to learn, you learn from your buddy... So I'd say a whole lot of people are keen to learn...but there are another set of people who [feel that] the stories in the paper are all that count...'<sup>28</sup>

Davie explains that under the old system, reporters' evaluations were based on the number of bylines that appeared in the print edition. Another systemic problem that the *Mail & Guardian Online* needs to address, he adds, is the weekly news-cycle. 'Working for a weekly cycle [compared to working for] real time are completely different things. And then the additional complication is that you don't want to replicate SAPA, because SAPA and the agencies actually give you a very cost-effective service, so if you've got people matching what they are doing, it's costing you a load of money... You've actually got to operate somewhere next to that, where you are adding value and topping

up and creating voice and all of that...’

What the three newsrooms have in common is the direction they are moving in. All seem to understand that success in the online environment is dependent on reporters becoming platform-agnostic. Human resource systems are consequently being reworked to reflect this new philosophy, and editorial staff are being encouraged to work for a brand instead of a medium.

### *iv. Product development*

Online product development across *The Times*, *Mail & Guardian* and *Daily Dispatch* is centred, in the main, around enhanced multimedia functionality (see previous section) and deeper use of social media. At all three titles, though, there is also a push towards project-based journalism. Andrew Trench describes this as ‘packaged journalism’ with various online features – in essence, the packages are mini-sites within the main site that focus on specific stories and use the tools of the web to offer the audience a 360-degree view. An example is the award-winning ‘Dying to Live’ project, where the *Daily Dispatch* investigative team spent nearly four months attempting to understand the spate of fatal attacks on Somalis in Eastern Cape townships. The mini-site includes a diary, an archive of print stories on the subject, photo essays by the publication’s photographers, video footage, audio files, maps detailing where the incidents occurred, and timelines.

The success of projects like ‘Dying to Live’ got Trench thinking of associated possibilities for site development. ‘We’re also looking at a local kind of database,’ he says. ‘I think that’s the huge opportunity for the future...being able to provide databases with interfaces that

your users can climb into, you know, either through interrogating your own information or public domain information in a way that's compelling... So we're looking at ideas around that. And then I also think that there's scope for development of social networks...which is certainly viable at sites like ours, [where people] are already very embedded in the community.<sup>729</sup>

Specifically, adds Trench, there will be a drive to mine the community features that the paper has traditionally traded on. 'Building up social networks is easy enough to do. I mean, the traditional role of the paper has been this kind of bridge in the community, and we want to extend that to online and actually replicate the community in a broad sense, through a social network [with] more nuance... We've actually got a prototype that we've been fooling around with for the last six months, looking at young readers here, because everyone is finding that it's very hard to keep young readers, especially in print. It's almost impossible... So [we want] to create an online home for them, but we've been battling with it. I think [it has to be done] with some credibility, because a newspaper with a youth section, you know, it's just going to fall on its face in five minutes. We've been playing around with design and concepts and stuff, but the question - what we can't answer yet - is how do you get that to be basically [taken up] by the kids that ultimately are going to use it? Because that's the only way it's going to be successful.'

Davie, for his part, says that the main focus at the *Mail & Guardian Online* is to move towards much more 'interactive' content. 'I will tell you what I mean by that. [The key] thing would be to continue to be on top of the news...but a lot of this is kind of two-dimensional, in the sense that it's today's news and it's gone and you needed to know what yesterday's news was. So [the aim is] to develop sites, many special

report-type sites that have a much longer shelf life. And one that you will see quite soon, which has taken us way too long to do, but it's the idea of the Braamfontein Spruit, which is good in some respects, with cycling and walking, but there's a bit of dirt and it's not safe to cross the road in some cases. [We want] to make this a 2010 project, where the city builds underpasses... It's one way of people engaging more with the city... There's a map, where the bike clubs and residents come in... It's three-dimensional, because over time you invite City Parks and roads authorities to come in too...<sup>30</sup>

Clearly, the thinking behind the Braamfontein Spruit project is very similar to the *Dispatch Online's* 'Dying to Live' initiative. *The Times* has been implementing these sorts of ideas for some time, even if not with the same sustained focus as its sister paper in East London.

### *v. Leadership and productivity measurement*

As already mentioned, the management approach of all three editors to print/online integration is based on reward, encouragement and inclusiveness. The editors all seem to appreciate that they are operating in virgin territory when it comes to convergence, which for them implies that leadership philosophies must draw on innovation, patience and traditional news values.

Editor of *The Times* Ray Hartley has tried to articulate this message of newness and inclusiveness in the physical space of his newsroom. 'It's a totally new approach that's needed,' he says. 'I made a big decision that there would be no offices. We drew up the plans for the newsroom and we had the luxury, again, not only of hiring the staff, but of actually having a blank workspace and literally [deciding] what

it was gonna look like... the decision was, there'll be no offices. Not even for the editor. There was shock, you know...from a lot of people from traditional media and on the management side, who [said], "But you must have an office..."<sup>31</sup>

'I was like, no. If I want to have a private discussion, I'll create spaces... But there will not be offices because a great plague in newsrooms is poor communication. The managers will sit in the open and in the middle of the newsroom, and that'll be the end of poor communication because [journalists] will be walked up to and talked to. So the geography of it is vital. It's also this sense of everybody immersed in the process without exception, which I think is quite important. You've got to flatten structures in this environment; mahogany doesn't work when you've got a fast-breaking story on xenophobia. You need to get together four heads and build a multimedia platform and plan a daily paper and keep something that's gonna work on Sunday. You can't be going knocking down Mahogany Road and seeing that people aren't in their offices and all that...So a lot of the time there are these micro-meetings that happen in this newsroom...'

As regards productivity measurement, Hartley assesses his journalists in terms of their contribution to both print and online. But for him it's not necessarily a quantitative yardstick. 'It's a very difficult thing with journalism. I mean, you could have somebody who arrives at eleven [am], hung over, and because [he's] the only person in the office and not out there getting stories, he gets handed a press release and he writes the splash. So it's a very qualitative assessment that's got to be done, and it's difficult. I mean, I think the main thing is to assess people according to what they are capable of doing and how close they come to achieving that, rather than this kind of...you know, each reporter should produce ten stories... It's not a widget factory...'

For *Daily Dispatch* editor Andrew Trench, a key advantage in terms of his management philosophy is that he has an intense personal interest in online technologies; in fact, he was the first person in the East London newsroom to start blogging. 'I started the blogs before we even redid our website... And my quip was always, if you lead with your own enthusiasm, you're going to get a long way fast. [You need to be] very open and transparent about where things are going... [You need to be able to say], look at what we've done, and see what the reaction has been, and then to simplify it, you know, take the terror out of change. Which is why my approach to it is instrumental rather than rapid change. And I think we have an approach that is pretty inclusive and open, and I've tried to flatten [the structure]...Some of the reporters are running their own blogs. They go through phases of productivity on those things, but [I say], "I trust you to speak to our audience, if you want to write a blog, go for it." People have to be able to make decisions for themselves. The medium is too dynamic, I mean, I'm the online editor, some days I don't even have a chance to look at the website because I'm editing a paper and doing other things, and I've said to the guys, "You make the call."

"The cool thing about online is that if you make a mistake, you can undo it. It's quick, it's no problem, and with the rest of the managers that I work with here, we really approach it [with] open cards...as much communication as possible, definitely as much communication as possible. The one thing that is stuck in my mind: I went to [a conference] in Cape Town and it was what's-his-name, Will *The Telegraph* editor? I forget his surname...and someone asked him, "What was his biggest kind of management thing that he knows?" And he said that you can never talk enough about it, just talk, talk, talk, and tell people about it... And ja, I think that's how I manage, with enthusiasm, and

[the intention] to be instrumental rather than dramatic.<sup>732</sup>

Trench does not divide online and print when it comes to productivity measurement. 'There are a handful of people whose jobs are specifically online, and that we manage, but for everybody else, it's like, we hired you to do a certain type of job, and now we're evolving... And we've had a lot of open discussion about it. I mean, it's not like I'm ambushing people here. I've laid out where we intend going, and now we are sort of hitting the phase where I want guys to start breaking news on the blogs...'

*Mail & Guardian* editor Nic Dawes, meanwhile, argues that there is no substantial difference between managing a newsroom for print and managing for online – journalists remain journalists, he avers. But, he adds, the major exception to this rule at the Johannesburg-based weekly is in the concept of work curves, which peak at different times.

As Dawes explains: 'Say you're writing for the print news section. You start off at the bottom of the curve on a Monday, or on a Friday actually, and you know you've got a rough idea of what's going to be in your diary. On Monday you're required to harden that up for conference and have a little bit more information. On Tuesday you're supposed to be working steadily but you probably aren't too frenzied yet. On Wednesday you start to get into a panic, you have to make pretty sure that you're locking off your sources. Some people will file by Wednesday night. If you're writing the lead, things will peak at kind of 3 o'clock on a Thursday afternoon. The paper will go to bed at five [pm] and then [the curve] falls off a cliff... Obviously the online environment has long curves like that; [but it also] has day-long curves and it has 15-minute curves and Twitter-shaped five-minute curves. So there are those sorts of differences. The other difference is

that some of the strictures around how much you express your own opinion, how much you insert yourself into what you doing, are different. There are all sorts of debates around that stuff. But in terms of management of newsrooms, the problem that we face is "management of newsrooms", not "problems of digital newsrooms." <sup>33</sup>

Dawes continues: 'Now most newsrooms are managed awesomely badly, and I don't make any exception for ours. That's one of the things I'm trying to work on, I'm trying to put processes in place... What a newsroom is designed to do is take this big disaggregated universe of information and narrow it down violently through a series of processes - of people going out to fetch [information], coming back, testing it, subjecting it to a certain amount of debate and then ultimately making decisions. And that basic embedded culture is the one thing that makes newsrooms work okay, but in many ways they're managed [badly]...and in a sense some of that bad management is necessary to allow the kind of freedom that makes journalists productive.... My view is that you have to encourage the processes [as] sort of fail-safes that people can fall back on. And that's exactly the same for print and for online.

'You don't measure productivity in a newspaper by how many bylines someone has, and I'm not being critical of [the former editor's] approach... [S]he was trying to come up with a simple device, and in a sense it worked, because the people who were the stars actually... were the people who had the most bylines... But I think one has to look at things a bit more cleverly; you know - are people producing news that can lead the paper? The next level down is, do they produce news that leads the page? If they don't do that, do they produce stuff that fundamentally strengthens our function in the world, or are they a voice that we need in the editorial? Okay, take those same sorts

of metrics with online, and you can obviously measure them more. You can say, well, are people commenting on this article, or is this getting a lot of traffic? Those are sorts of crude things you're going to be tempted to use, and which you *should* use, because [in print]... only some people write letters back to you, and only some people sue you, and only some people praise you. Online that's still the case, but there's less friction involved and there's more information.'

## E

### *A compendium of lessons learned*

South African newsrooms are under the same pressures as their international counterparts. In a global newspaper environment where revenues are plummeting and the very purpose of the 'dead-tree' function – i.e. distribution to as wide an audience as possible – has been undermined, new business models need to be formulated fast if 'news in print' is to survive.

One model that appears to be rising to the fore is the 'paid-for' online content service. It has its detractors, certainly, but given that the world's most powerful newspaper baron in the English language, Rupert Murdoch, has recently announced his intention to implement the model across all his online assets, there can be little doubt that it's about to become a major force in the media world. In South Africa, two of the three newspapers under review – the *Mail & Guardian* and the *Daily Dispatch* – have already begun the process of setting up 'walled gardens', although there is a major difference in their strategies.

The *Mail & Guardian* is a weekly newspaper with a unique value proposition based in investigative journalism of high national interest. Its ability to produce daily online content that users would be willing to pay for is still in question, even if core editorial staff understand the need to move away from commoditised newswire-type content on the website. As such, the strategy at the *Mail & Guardian Online* is to implement a micro-payment system, where the audience will be required

to acquire high-value editorial through sending an sms, watching an advert, or making a small payment.

At the *Dispatch Online*, on the other hand, daily content is being produced that is non-commoditised and specific to a particular geographical region. The strategy at the East London newspaper is thus to charge a monthly subscription fee, and research has indicated that a significant percentage of the audience would be willing to come along.

In terms of barriers to entry, while the online space is much easier to break into than print, there are still obstacles to creating comprehensive non-blog-exclusive products. Aside from the hyper-competition that ubiquitous and cheap online publishing technology engenders, there are costs associated with marketing and recruitment that separate the small independent operations from the truly significant players. A commitment to financial and operational investment is thus a major requirement for any news entity wishing to dominate the space, and such investment needs to be made, in spite of the knowledge that profits in the short term cannot be guaranteed.

*The Times, Mail & Guardian* and *Daily Dispatch* have all proven their commitment, however, especially when it comes to gearing their newsrooms for a publishing world that's becoming increasingly platform-agnostic. Although the two Avusa-owned titles appear to be ahead of the *Mail & Guardian* in this regard, steps are being taken at the weekly to address the shortfall. Enhanced multimedia functionality, and deeper use of social media and project-based journalism are becoming features of all three entities, and with this a leadership philosophy that encourages journalists to report for the brand instead of a specific medium.

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23. Interview with *The Daily Maverick* deputy editor Phillip de Wet, June 30 2009, at the interviewer's home in Killarney, Johannesburg.
24. Interview with *The Times* editor Ray Hartley, July 24 2009, at Avusa head offices in Rosebank, Johannesburg.
25. Interview with *The Times* online news editor David Ball, July 9 2009, at the Avusa head offices in Rosebank, Johannesburg.
26. Interview with *The Times* editor Ray Hartley, July 24 2009, at Avusa head offices in Rosebank, Johannesburg.
27. Interview with the *Daily Dispatch* online news editor Jan Hennop, August 14 2009, at offices in East London newsroom.
28. Interview with consultant to *Mail & Guardian* Kevin Davie, July 20 2009, at coffee shop outside newsroom in Rosebank, Johannesburg.
29. Interview with the *Daily Dispatch* editor Andrew Trench, August 12 2009, at offices in East London newsroom.
30. Interview with consultant to *Mail & Guardian* Kevin Davie, July 20 2009, at coffee shop outside newsroom in Rosebank, Johannesburg.
31. Interview with *The Times* editor Ray Hartley, July 24 2009, at Avusa head offices in Rosebank, Johannesburg.
32. Interview with the *Daily Dispatch* editor Andrew Trench, August 12 2009, at offices in East London newsroom.
33. Interview with *Mail & Guardian* editor Nic Dawes and digital products manager Chris Roper, August 5 2009, at restaurant in Parkview, Johannesburg.